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CHILE

Two recent events in Chile, the discovery in August of huge arms caches shipped by Cuba to the Chilean Communist Party and the September assassination attempt by the same group against President Pinochet, have shocked public opinion in Chile and created a new opportunity for a successful democratic transition to full civilian rule.

- The arms caches contained over 3,000 US M-16 assault rifles, nearly 2,000 Soviet Bloc hand grenades, and some 300 Soviet and US anti-tank weapons and rocket launchers. This unprecedented quantity of arms brought home to most Chileans the threat of a serious Communist insurrection in the next few years.
- The nearly successful assassination attempt against Pinochet illustrated that not even the President was immune to terrorist violence.

President Pinochet responded to the assassination attempt by imposing another state of siege which initially threatened to polarize Chilean politics.

- The moderate opposition has regained some lost ground, however, by denouncing Communist violence and stating that they would no longer cooperate with the Communists and their radical allies.
- Meanwhile, three of the four members of the military junta have started a round of private talks with moderate opposition leaders and have called for a formal dialogue on a transition formula.

This has again raised hopes within the moderate opposition and among some elements of the military that a peaceful transition process can be undertaken which will remove Pinochet from power by 1990 and allow the military to turn over the government to a non-Communist coalition.

- The main obstacles, in addition to the threat of terrorist violence, remain Pinochet's determination to stay in power into the next decade and the inability of the moderate opposition to coalesce around a specific transition program acceptable to the military.

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-- When he failed to dissuade junta members from dealing with the opposition, Pinochet tried to outmaneuver them by authorizing his Interior Minister to offer to hold limited talks with moderate groups on a draft law to legalize political parties.

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So far, the most outspoken criticism of Pinochet's political plans from within the armed forces comes from the Air Force, the Navy and the national police, primarily through the public statements by their representatives on the junta. Nevertheless, we believe sentiment is growing even in the

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Army--Pinochet's main pillar of support--for more rapid movement on a transition formula, along with heightened unease over Pinochet's plans to retain power.

-- [REDACTED] some Army officers fear that Pinochet would be defeated in a plebiscite, and that this outcome would be interpreted as a negative popular judgment on the armed forces and their role in the government since 1973.

-- Pinochet's recent move to retire several senior generals known to favor more rapid political liberalization indicates that he is conscious of the problems he might face within the Army.

On balance, however, we believe that the Army is still loyal to Pinochet, although it is becoming anxious over his reluctance to agree to step down in 1989.

-- Meanwhile, the other services and moderate politicians are waging a campaign to convince senior Army officers that Pinochet's obduracy is fomenting political instability and threatening the institutional integrity of the armed forces.

The Moderate Opposition

The moderate opposition has regained some political momentum despite its own divisions and the government crackdown following the assassination attempt. Over the near term the moderates probably will pursue a two track strategy to promote a transition to democratic rule: they will try to mount peaceful popular demonstrations supporting direct presidential elections but will give new emphasis to fashioning a serious dialogue with the junta.

-- Apparently convinced that the trend is in their favor, the moderates no longer demand that Pinochet resign immediately and are prepared for a gradual transition timetable culminating in a return to democratic rule around 1989.

-- They are betting that the military will not let Pinochet flaunt the constitution by rigging the plebiscite or using other illegal means to ensure that he remains in power.

-- The democratic opposition remains heavily fragmented, however, and has yet to put forth a credible transition program acceptable to a majority of the military.

The Radical Left

In our view the far left, especially the dominant 30,000-member strong Communist Party, has increasingly turned to violence as the only means of polarizing the environment and overthrowing Pinochet. Progress toward a

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democratic transition would begin to reverse this trend and would probably intensify the internal struggle between moderate and militant Communist leaders.

- [REDACTED] the Communists believe that their violent tactics have won them new adherents and popular recognition as the most activist opposition group.
- Nevertheless, party leaders are debating their violent approach. Militants and the party's terrorist affiliate support increased violence, including another assassination attempt, while others favor a more cautious approach.
- There has already been some public backlash against Communist violence, and this would likely increase if a transition agreement were achieved.

South American Responses

Argentina, Venezuela, Uruguay, and Brazil are the countries most overtly interested in promoting a transition to democracy in Chile. Other South American countries are either much less concerned about Chile or are opposed to pressuring the Pinochet government.

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